

# OFFICE OF AUDITS & ADVISORY SERVICES



## AIR POLLUTION CONTROL DISTRICT FEE ADMINISTRATION

### *FINAL AUDIT REPORT*

Chief of Audits: [Juan R. Perez](#)  
Supervising Senior Auditor: [Lindsey Heeszal, CPA, CIA, CFE](#)

Intentionally Left Blank



# County of San Diego

TRACY M. SANDOVAL  
GENERAL MANAGER/  
AUDITOR & CONTROLLER  
(619) 531-5413  
FAX: (619) 531-5219

## FINANCE & GENERAL GOVERNMENT GROUP

1600 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

ASSESSOR/RECORDER/COUNTY CLERK  
AUDITOR AND CONTROLLER  
CHIEF ADMINISTRATIVE OFFICE  
CIVIL SERVICE COMMISSION  
CLERK OF THE BOARD  
COUNTY COMMUNICATIONS OFFICE  
COUNTY COUNSEL  
COUNTY TECHNOLOGY OFFICE  
GRAND JURY  
HUMAN RESOURCES  
RETIREMENT ASSOCIATION  
TREASURER-TAX COLLECTOR

July 26, 2013

TO: Robert Kard, Air Pollution Control Officer  
Air Pollution Control District

FROM: Juan R. Perez  
Chief of Audits

### FINAL REPORT: AIR POLLUTION CONTROL DISTRICT FEE ADMINISTRATION

Enclosed is our report on the Air Pollution Control District Fee Administration. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template or have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ  
Chief of Audits

AUD:LH:aps

Enclosure

c: Sarah E. Aghassi, Deputy Chief Administrative Officer, Land Use and Environment Group  
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller  
Lisa Keller-Chiodo, Group Finance Director, Land Use and Environment Group

## INTRODUCTION

---

### **Audit Objective**

The Office of Audits & Advisory Services (OAAS) completed an audit of the Air Pollution Control District (APCD) fee administration. The objective of the audit was to assess controls for ensuring that the fees established and collected by the APCD are in compliance with current policies and regulations.

### **Background**

The APCD monitors air quality throughout San Diego. The APCD also develops programs to reduce air pollution in an effort to protect the public from air pollution's harmful effects. The APCD issues permits, registers equipment, performs source testing, and other activities that limit air pollution and maintains compliance with air pollution control laws and regulations.

All fees charged by the APCD are specified in the APCD's Rule 40 – Permit and Other Fees (Rule 40) and Rule 42 – Hearing Board Fees (Rule 42). With the exception of the Hearing Board fees, Rule 40 determines all APCD related fees. These include, but are not limited to, application, permit, renewal, source testing, asbestos demolition, and Title V Operating Permit fees.

The APCD fees are calculated according to the Recommendations for Setting San Diego APCD Fees which were approved by the Air Pollution Control Board in June 1998. This set of recommendations is also known as the Fee Review Group Methodology (Methodology). In addition to the Methodology, the APCD also considers applicable California Code when calculating fees.

The largest APCD cost is labor. APCD employees use the Business Case Management System (BCMS) to track time spent on each activity.

### **Audit Scope & Limitations**

The scope of the audit focused on evaluating whether key controls are in place and operating effectively to maintain compliance with applicable policies and regulations.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

### **Methodology**

OAAS performed the audit using the following methods:

- Reviewed laws, regulations, and policies related to APCD fee administration.
- Interviewed key personnel regarding applicable laws, regulations, and policies.

- Assessed the risks to achieving the APCD's key fee administration compliance objectives independently and in coordination with APCD management.
- Conducted specific audit procedures (e.g., interviews, document inspections, and invoice recalculations) on fee administration compliance.

## AUDIT RESULTS

---

### Summary

Within the scope of the audit, there is reasonable assurance that APCD controls for ensuring that the fees established and collected are in compliance with current policies and regulations are adequate. To further strengthen current controls and improve their effectiveness, OAAS has the following findings and related recommendations.

### Finding I:

#### Obsolete and Outdated Fee Rates in BCMS

The fee rates in BCMS are the rates used to prepare invoices for APCD services. The rates in BCMS should always agree with the most current approved Rule 40.

Of the 108 individual fees in BCMS selected, 6 did not agree with the current Rule 40. More specifically, five fees that are no longer used were inadvertently carried forward in BCMS and one fee rate was not changed with the most recent Rule 40 update. The initial APCD review did not find these differences.

### Recommendation:

In order to improve the accuracy of fees charged, the APCD should:

1. Review all rates in BCMS to determine whether there are any other variances.
2. Update BCMS to accurately reflect the current Rule 40.
3. Determine whether any invoices were issued with incorrect fee rates and re-send corrected invoices as necessary.
4. Require review of the fees and rates in BCMS by at least two employees after each Rule 40 change.

### Finding II:

#### The Five Year Labor Average is Not Updated Annually

The current Methodology requires the five year labor average for applications or permit renewals to be updated annually. The APCD only updates the five year labor average in years that they update the Rule 40.

Per APCD management, this process is time consuming due to outliers in the data which are caused by inconsistent time tracking. Each outlier must be investigated before the labor average can be accurately calculated. As a result, the APCD is not compliant with the Methodology.

**Recommendation:** In order to maintain compliance with the approved Methodology, the APCD should:

1. Research to determine the cause of all current labor average outliers.
2. Develop and implement time keeping policies that will prevent the labor average outliers noted in prior research.
3. Train employees on the new policies and the importance of accurately tracking their time.
4. Develop and implement a process to identify and correct labor average outliers throughout the year.

Office of Audits & Advisory Services

C ompliance   R eliability   E ffectiveness   A ccountability   T ransparency   E fficiency

VALUE

## **DEPARTMENT'S RESPONSE**

**Air Pollution Control Board**

|              |            |
|--------------|------------|
| Greg Cox     | District 1 |
| Dianne Jacob | District 2 |
| Dave Roberts | District 3 |
| Ron Roberts  | District 4 |
| Bill Horn    | District 5 |

July 22, 2013

**RECEIVED****JUL 23 2013**

Mr. Juan R. Perez  
Chief of Audits  
Office of Audits & Advisory Services  
5530 Overland Avenue, Suite 330  
San Diego, CA 92123

OFFICE OF AUDITS &  
ADVISORY SERVICES

Dear Mr. Perez:

On behalf of the San Diego Air Pollution Control District (District), I wish to express my appreciation of your staff's professionalism and diligence during the audit of the District's fee administration. The District continuously strives to increase the efficiency and effectiveness in the administration of fees and we are open to new ideas that help us achieve the highest levels of performance.

We appreciate the overall finding that the District's controls are adequate to ensure that the fees established and collected are in compliance with current policies and regulations. We also appreciate the additional findings and recommendations, which are addressed below.

**FINDING I**

Finding I references a small number of discrepancies between rates identified in Rule 40 versus rates charged to customers and obsolete and outdated fee rates in the Business Case Management System (BCMS). The District is taking actions to fully and satisfactorily identify and correct these discrepancies.

The District has updated the fee data in BCMS and is reviewing fees charged since the implementation of the latest change to Rule 40 (January 1, 2012) to ensure that none of our customers were erroneously over-charged by the District. Currently, the District is focusing on fees that may have been charged with incorrect labor rates and are currently in the reconciliation process. Additionally, the District is developing queries in the BCMS that will assist in identifying other possible discrepancies that were outside the scope of the audit. As the District has approximately 8,300 permits, the process to ensure that there is no customer that was overcharged will be lengthy but is expected to be completed by September 30. Additionally, the District has implemented an enhanced quality control process to ensure that all fees are consistent with Rule 40 by implementing a review of rates entered by a second information

Mr. Juan R. Perez

-2-

July 22, 2013

technology staff member, a second review by accounting and a separate review by permit processing staff.

## FINDING II

The second finding states that the District did not comply with one aspect of the currently approved methodology for fee setting by not updating fees on an annual basis. The District agrees with this finding, as annual fee updates proved to be very difficult in light of the complicated methodology for fee setting and outliers in the data. The District has initiated an effort to update and streamline the methodology and automate processes where possible to support more regular fee reviews and updates. This effort is concurrent with a deep review of fees to ensure full cost recovery.

We look forward to continue to work with you and your staff to improve the District's controls for ensuring that the fees established and collected are in compliance with applicable policies and regulations.

Should you have any questions, please feel free to contact Daniel Knowlton, Chief, Administrative Services Division at 858-586-2607.

Sincerely,



ROBERT J. KARD  
Air Pollution Control Officer

RJK:DK:ew

cc: Lindsey Heeszal, Supervising Senior Auditor, Audits and Advisory Services  
Rosa A. Abreu, Assistant Director, San Diego Air Pollution Control District  
Robert Reider, Deputy Director, San Diego Air Pollution Control District